

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS ROME 005655

SIPDIS

FROM THE U.S. MISSION TO THE UN AGENCIES IN ROME

USDA FAS FOR U/S PENN, JBUTLER, MCHAMBLISS, LREICH
STATE FOR IO A/S HOLMES, IO/EDA, OES/O, OES/E, E, EB;
AID FOR EGAT, DCHA/OFDA, DCHA/FFP
PASS USTR AND PEACE CORPS

E.O. 12958: N/A

TAGS: [EAGR](#) [AORC](#) [ETRD](#) [EFIS](#) [SENV](#) [EAID](#) [FAO](#) [WFP](#)

SUBJECT: REPORT OF THE 32ND FAO CONFERENCE, INCLUDING THE
CONTIGUOUS 125TH AND 126TH FAO COUNCIL SESSIONS

REF: (A) ROME 4556, (B) ROME 4833, (C) ROME 4879,
(D) ROME 5176, (E) ROME 5195, (F) ROME 5507,
(G) STATE 324909, (H) STATE 325961, (I) 01 ROME 5954

Summary

1. At the November 26 - December 11 meetings of the FAO Conference and FAO Council, member governments debated international anti-hunger, food policy and agricultural trade issues and agreed on a budget and important institutional reforms.

2. In his statement on the State of Food and Agriculture, USDA Under Secretary J. B. Penn, who led the US delegation, highlighted the contributions to food security of new technologies to increase agricultural productivity, appropriate national policies and infrastructure, and trade liberalization. In addition, U/S Penn participated in a ministerial roundtable on agricultural trade policy developments after Cancun. He also presided at a USG-sponsored side-event on Using Science and Technology to Improve Water Management in Africa, and a meeting with Ambassador Hall and Latin American ambassadors on school feeding programs.

3. Among its substantive accomplishments, the Conference endorsed an improved reporting mechanism to track countries' efforts to meet World Food Summit (WFS) goals. It approved a resolution calling for intensified efforts against illegal, unreported and unregulated (IUU) fishing and approved a cooperation agreement between FAO and the International Organization of Epizootics.

4. The Conference reached consensus on several critical institutional questions. Member governments decided to limit the term of FAO directors general to six years, renewable once for an additional four years. They approved a program of work and budget totaling \$749 million for the 2004-5 biennium--representing a substantial nominal increase in dollar terms over the \$650 million budget of the previous biennium, but falling \$51 million short of the amount identified by FAO as needed to cover lost purchasing power due to inflation and exchange rate fluctuations. To help protect the organization against the latter, members adopted a "split assessment" mechanism that henceforth assesses contributions partly in dollars and partly in euros.

5. Members adopted a new methodology for equitable geographic distribution of professional staff--modeled after the UN system--that will maintain pressure on FAO to hire more Americans. They also agreed to enlargement of the Finance Committee to eleven members, thereby assuring a seat for the number-two donor, Japan. The US was re-elected to the Executive Board of the World Food Program (WFP) and to the FAO Finance Committee. The principled but flexible USG stance at the Conference generated goodwill, and will make it easier to exercise leadership within the FAO. We have already made headway in gaining support for an independent external evaluation of the organization to identify its areas of strength and comparative advantage. End summary.

Overview

6. The 32nd ministerial-level meeting of member governments of the UN Food and Agriculture Agency (FAO) was held in Rome from 29 November to 9 December 2003. This marathon gathering, known as the FAO Conference, sets the organization's budget and policy direction for the coming biennium (2004-5). The Conference stretched over nine working days. Up to three sessions ran

concurrently, in addition to various committees, working groups, roundtables and side events. A 3-day preparatory meeting of the organization's 49-member executive body, the FAO Council, preceded the Conference. An additional Council meeting was held afterwards on December 11, principally to elect new members and officers of the Finance and Program Committees. The US was represented by officials from USDA, State and the US Mission; the full delegation list is given in ref I. This cable covers highlights of the FAO meetings that were of

particular relevance and interest to the US. The full set of meeting documents is available from the Council and Conference links on FAO's home page, www.fao.org.

FOOD AND AGRICULTURAL POLICY ISSUES

U/S Penn's Statement

17. In his Conference plenary remarks, U/S Penn noted mixed progress towards achieving the WFS goal of halving the number of hungry people by the year 2015. He stressed that one of the most effective ways to reduce global hunger is raising agricultural productivity through science and technology. Countries must be willing to accept sound scientific principles, and technologies must be assessed objectively for benefits and risks based on science -- not on fear, rumor or politics. Penn noted that countries must have the appropriate policies and infrastructure to succeed. Sustained growth is correlated with open markets and open economies. He stated that international trade can and must play a central role in addressing the world's food security needs, reiterating the USG commitment to achieving an international agreement toward liberalizing agricultural trade.

18. U/S Penn underscored the USG commitment to combat hunger and poverty. He made special mention of US development aid and humanitarian relief in Afghanistan and Iraq, thanking FAO for its help in reconstructing of agricultural and water infrastructure and enhancing food security in those countries. Penn stated that FAO's leadership could play a pivotal role in feeding the world, but to achieve real progress the organization must have a clear vision that enables it to prioritize its efforts and take advantage of synergies with other organizations. Such partnerships will make scarce resources go further, particularly in helping countries make the transition from emergency to rehabilitation. Penn called on FAO to show leadership in operating an efficient and effective organization, ensuring equitable geographic representation in recruitment of professional staff and hiring well-qualified field personnel.

Ambassador Hall's Statement

19. Earlier, during the 125th Council discussion on World Food Summit follow-up, Ambassador Hall highlighted the need to improve monitoring of progress in national implementation of the WFS Plan of Action. Drawing on his travels to food-insecure areas around the globe, he commented on FAO's work in the field. He praised the efforts of the FAO representative in DR Congo, contrasting this with poor performance by the FAO representation in Ethiopia. The Ambassador lamented the lack of a rigorous performance evaluation mechanism for FAO field representatives whereby accomplishments are duly recognized and underperformance is swiftly addressed. He stressed the need for FAO to cooperate closely with other agencies such as WFP and the International Fund for Agricultural Development (IFAD). He provided examples of how food aid can complement and serve as a catalyst for sustainable agricultural development, easing the transition from external famine relief to the rehabilitation of domestic agriculture.

10. Ambassador Hall reiterated the importance the US and G-8 attach to food security, along with famine prevention and response. He made note of recent US congressional approval of a flexible approach to famine and an additional \$220 million to this end. The Ambassador also called attention to a recent study by the Netherlands government of its extrabudgetary cooperation program with FAO (ref E). He underscored the USG interest in joining with other member states in a discussion of the lessons learned from and the broader implications of the Dutch report. He concluded that the challenge before member states is to take a clearer look at the mandate, capacity

and strengths of FAO.

Agricultural Trade Negotiations After Cancun

¶11. The FAO Conference was the first major international gathering of agriculture ministers since the WTO meeting in Cancun. Agricultural trade issues therefore featured prominently in the ministerial segment of the Rome meeting--in plenary statements by delegation heads, in a ministerial roundtable, and in plurilateral and bilateral side-meetings. In his remarks to the Conference plenary, U/S Penn expressed USG disappointment with the outcome of the WTO ministerial in Cancun. He stressed the need to continue to work together in good faith to make progress, calling for commitment, hard work and flexibility on the part of WTO members.

¶12. Fifty-nine heads of delegation participated in the December 2 Roundtable on "Developments in the WTO Negotiation on Agriculture and Implications for Food Security -- including the Work of FAO." The key conclusions of the discussion were compiled by the Italian and Chilean agriculture ministers (who served as co-chairs) and were reported back to the Conference. There was general disappointment with the failure to achieve concrete results in Cancun. Several delegations said Chairman Derbez's text could be the basis for resumed negotiations. Delegations underscored the commitment made at WFS to strive to ensure that food, agricultural trade and general trade policies are conducive to fostering food security through a fair, market-oriented trade system. Participants reaffirmed their commitment to the Doha Development Agenda mandate in agriculture regarding market access, export subsidies, and trade-distorting domestic support.

¶13. Many roundtable participants stressed the crucial role of open and fair trade for food security, but felt that trade alone is not sufficient to guarantee it. Delegations expressed the need to maintain the multilateral nature of trade agreements, and some mentioned the risks of resorting to bilateralism. All participants stressed the need for flexibility in the ongoing negotiations. Some indicated the need to balance market access with the need to maintain a viable agricultural sector. Some called on developed countries to grant tariff and quota-free access to the products of least-developed countries. Several asked that the negotiations pay attention to market distortions for products of special interest, such as cotton. Some stressed the importance of non-trade concerns and the multifunctional role of agriculture. All delegations expressed appreciation for FAO's trade-related activities--information, policy advice, impact analysis of various policies--and called for strengthened support for capacity building to enable developing countries to participate more effectively in the multilateral trading system.

¶14. WTO and trade issues were also the principal topic of discussion at two plurilateral events hosted by New Zealand and Canada, respectively, and a series of bilateral meetings U/S Penn held with counterparts from Australia, the European Commission, Germany, Italy (see ref F), Japan, Netherlands, South Korea, and Thailand.

----- --
US Event on Agricultural Science and Technology
----- --

¶15. The USG sponsored a side event on December 2 on "Using Science and Technology to Improve Water Management in Africa." This was a follow-up to USDA Secretary Veneman's June 2003 Ministerial Conference and Expo on Agricultural Science and Technology. In addition, it dovetailed with the FAO focus on water as a critical resource for agricultural development. The presentation at the FAO Conference reviewed the challenges faced in Africa to increase access to water for agricultural needs. It considered lessons learned from specific projects and highlighted successful water management practices and technologies applicable to the region. The event was opened by U/S Penn and introduced by FAO Assistant Director General for Agriculture Louise Fresco. Namibia's Minister for Agriculture, Water and Rural Development, Helmut Angula, described his country's

experiences. For a private-sector perspective, the General Manager of Valley Irrigation of Southern Africa (Pty) Ltd. provided a case study from Botswana. FAO's Director of Land and Water Development reviewed his agency's involvement. The event was attended by several

African cabinet ministers and attracted a sizeable audience of Conference delegates and FAO professionals.

Other Highlights, Roundtables and Side Events

16. Off-Key Keynote Speech: The first morning of the Conference featured a keynote speech by former Malaysian Prime Minister Mahathir Mohamad. The Asian leader charged that the WTO negotiations are about enriching the already rich: "the rich want the poor to open up their countries so they can be fully exploited." He criticized multinational corporations and foreign direct investment (FDI), calling for world tax on corporate profits, the proceeds of which would fund agricultural infrastructure development in poor countries. Then, apparently unmindful of any inconsistency, Mahathir explained how FDI had helped Malaysia make impressive strides to raise employment and living standards. He concluded, tongue-in-cheek, by saying that his call for a world tax in a speech before a group in China was met with total silence.

17. Director General's View: In remarks at the opening of the Conference, DG Jacques Diouf recalled the latest figures indicating that there are 842 million undernourished people in the world. In the past decade, the number dropped by only 19 million. At this rate the WFS goal of halving the number of hungry people by 2015 cannot be attained. Diouf stressed the need to mobilize the political will of national decision-makers, the energy of civil society and bilateral and multilateral resources. "The existence of hunger in a world of plenty is not just a moral outrage, it is also the result of short-sighted economic policy." The DG recapped reforms undertaken by FAO since 1994, including a 30% reduction in staff. He noted that the organization's budget was cut in 1996-97 and has not increased in real terms since then. He warned against further reductions. At the closing session, Diouf returned to the hunger theme and the necessity of making faster progress. He thanked member governments for their efforts to reach consensus on the program of work and budget. He reiterated FAO's intention to increase cooperation with governments, development partners and financial institutions to secure the necessary investments for sustainable agricultural and rural development.

18. Other roundtables and Side Events: There were two additional roundtables that provided an opportunity for heads of delegation to engage in probing discussions. One covered the Role of Water and Infrastructure in Ensuring Sustainable Food Security. Another dealt with the Dimension of Food Safety in Food Security. There were another eleven side events presented by the Secretariat, member governments or NGOs. Among the

SIPDIS
topics discussed were HIV/AIDS, small island developing states, the International Treaty on Plant Genetic Resources for Food and Agriculture, linking relief to rehabilitation and development, South-South cooperation, and community development to fight hunger.

Discussion on School Feeding with Latin Americans

19. On December 2, Ambassador Hall hosted at the US Mission a meeting for U/S Penn with ambassadors and permanent representatives from Chile, Dominican Republic, El Salvador, Honduras, Panama, Peru, and the Deputy Director General of the Inter-American Institute for Cooperation on Agriculture (IICA). This was arranged in response to an earlier request from Grulac ambassadors (ref C). The ambassadors discussed the importance of school feeding as a development tool and their interest in being able to maintain and enlarge programs they are supporting from their own and US resources. U/S Penn reviewed the state of FY2004 funding for the Global Initiative and the McGovern-Dole Food for Education Initiative.

Media Coverage

20. US Mission hosted a press conference for U/S Penn, with essential support from Embassy Rome's Public Affairs Section. Seven journalists, both Italian and international, attended and heard from the Under Secretary about his purpose in attending the FAO

SIPDIS

Conference and other subjects of importance to the USG, specifically agricultural trade. This resulted in at least two stories, both favorable, from Associated Press and Reuters.

Other Substantive Issues

¶21. The Conference endorsed or approved a long list of reports from various technical subsidiary bodies. Among the topics that attracted USdel interest were:

-- IUU Fishing: The Conference approved a resolution, proposed by New Zealand with input from Australia, US and others, that calls for intensified efforts to combat IUU fishing.

-- 2004 International Year of Rice: Delegates were informed of FAO's plans for public events to call attention to the importance of rice in the food security of a majority of the world's population.

-- Forest Governance: Brazil unexpectedly used a Council discussion of the Program of Work and Budget to state for the record that FAO should not undertake work on issues related to forest governance. USdel worked in the Council's drafting committee to ensure that Brazil's erroneous assertions on the lack of international agreement on forest governance were attributed only as the views of one regional group, thereby minimizing the impact of these statements on FAO's Program on Forest Policies and Governance.

INSTITUTIONAL REFORMS

Term Limits for Director General

¶22. DG term limits, one of the most important institutional governance issues before the Conference, were--by design--scarcely mentioned during the official meetings. Anxious not to re-open an acrimonious debate that might raise particular sensitivities among African supporters of the current (Senegalese) Director General, delegates had tacitly agreed to maintain public silence on the subject. The draft resolution amending the FAO Constitution to reinstitute a term limit on DGs was adopted without comment by a vote of 105 in favor, 0 opposed, and 1 abstention (Botswana). The amended text reads as follows: "There shall be a Director-General of the Organization who shall be appointed by the Conference for a term of six years. He shall be eligible for reappointment only once for a further term of four years." The resolution also specifies that the revision will apply at the election at the 33rd Conference in 2005, and governs the mandate of DGs from 1 January 2006. The resolution is silent on the applicability of term limits to the incumbent.

Budget

¶23. The proposed FAO budget for the next biennium generated hours and indeed days of discussion. Opening debates revealed a wide divergence among member governments, ranging from demands for real growth (many G-77 delegations) to calls for further adherence to a Zero Nominal Growth scenario (US) or less (Japan). Complicating the discussion was the deep erosion of FAO's purchasing power in the past two years due to the strong decline of the dollar against the euro. The Secretariat

painted a bleak picture of layoffs and significant program cuts under all but the most generous budget scenarios. A friends-of-the-chair group met late into the night to discuss the alternatives. In the end, consensus was reached on a budget of \$749 million for 2004-5. In nominal dollar terms, this is \$97.2 million more than the budget for 2002-3, but according to FAO it represents a decline in real terms of \$51 million.

¶24. The approved budget provides funding of \$14.1 million for the amortization of employees' after-service medical care. In adopting the budget in plenary, member states also agreed by consensus that the approved budget level would include the necessary costs for security upgrades. In addition, the budget appropriation resolution includes a provision to invite the Secretariat to make proposals to the Finance Committee for the reallocation of arrears to cover one-time costs for staff

redeployment and separation. The referenced arrears are the unspent balances of the \$100 million Helms-Biden arrears payment made by the US in 2002; the USG will need to review and thoroughly scrutinize any such proposals. The Finance and Program Committees were also tasked to allocate the cut in purchasing power among FAO programs. This is to take place at the Committees' May sitting.

Split Currency Assessment

125. The Council and Conference devoted long hours to a proposal to assess contributions partly in dollars and partly in euros. (At current exchange rates, approximately 54% of FAO's expenditures are in euros and 46% are in US dollars, while under the existing system 100% of contributions are assessed in dollars.) In September 2003 the Finance Committee had recommended the adoption of a split assessment methodology. The US agreed not to block the consensus in the Finance Committee, but entered the Council and Conference discussions on split assessments with serious questions regarding how a new split assessment methodology would be implemented. We had particular problems with the Secretariat's proposed methodology, which used multiple

SIPDIS
exchange rates and would have given the organization opportunities to profit through arbitrage at the expense of members.

126. The US also insisted that the overall budget level remain a separate decision of the membership, independent of any decision regarding split assessments. Other delegations, particularly the Grulac countries, had strong initial reservations about split assessments. During the course of the Conference, the Secretariat provided detailed briefings on the rationale and operation of a split assessment methodology. In bilateral discussions, the Secretariat also agreed to US requests for a simpler methodology that would be applied to partial payments and treatment of arrears. Following these discussions, the Conference agreed to the adoption of split assessments, effective January 2004.

Geographical Distribution and Employment of Americans

127. Another issue from the September 2003 Finance Committee--that of a new methodology to determine equitable geographic distribution of professional staff--gained unexpected momentum at the Council and Conference. The current system is based on members' assessed contributions and relies on an arbitrary and archaic grade-weighting scheme that dates from the 1950s. In September the Finance Committee could not come to agreement on a new methodology and suggested that the 125th Council might create a working group to study the matter further. The Council agreed to establish such a working group. Under strong pressure from the G-77, it also decided that the group should begin its work immediately and report to the Conference within a few days.

128. After three meetings, the working group reported to the Conference that it had not come to consensus. G-77 members of the working group were firmly behind a methodology--patterned after that of the UN Secretariat--

that included percentages for membership, population and assessed contribution. The European Regional Group thought the whole issue required more study. The US insisted that talk of a new methodology was premature, pending presentation of a concrete action plan by the FAO Secretariat to address the concerns of countries under-

SIPDIS
represented under the current system. The Conference, at the urging of the G-77, asked the working group to try again to come to a conclusion.

129. In the end, the US was able to join consensus on a resolution for a new methodology that uses the current UN system with its weighting factors of membership, population and contribution--but not post or grade-

weighting--and that also calls for an action plan for under-represented countries. (The US would also remain under-represented [below the desired target range] under the new methodology, and there will therefore be continued pressure to hire more Americans.) The EU, having several over-represented countries and suffering from coordination problems, was the last to join

consensus and did so finally with ill grace. The US-- which co-chaired the working group discussions but also had a representative at the table to vigorously defend our own interests--gained considerable goodwill from the G-77 and others for its leadership in facilitating the negotiation and working for--and ultimately achieving--consensus.

Independent External Assessment of FAO

130. USdel made important headway in advancing a proposal for an independent external assessment to define FAO's areas of strength and comparative advantage. U/S Penn and Ambassador Hall raised this point in plenary statements in the Conference and Council. USdel followed up in informal conversations with a number of influential delegates. With the UK Permrep, we convened on the margins of the Conference a meeting of like-minded senior officials, both Rome-based and from capitals, to chart the way forward. Interested partners in this concept included Australia, Canada, Japan, Kuwait, Netherlands, New Zealand, Peru, and the UK. Several of them pledged their intellectual and financial support for an assessment. We plan to include African and other Asian delegations in the near future.

Other Institutional Matters

131. Finance Committee Enlargement: The Council discussed an Asia Group proposal to enlarge the Finance Committee from 9 to 11 members, by adding an additional seat for Asia and for Europe. This ensured inter alia that Japan--the number-two donor and generally a US ally on budgetary questions--was re-elected to the Committee for 2004-5. Although the US in general opposes committee enlargements, we did not block consensus when the proposal was about to be approved by the Council.

132. Elections: Aziz Mekouar, Morocco's Ambassador to the US, was re-elected as Independent Chair of the FAO Council. The Netherlands Permrep was elected to chair the Program Committee (replacing Canada), and the Peruvian Permrep was elected to chair the Finance Committee (replacing Chile). The US Deputy Permrep was elected to a seat on the Finance Committee. Angola, Bangladesh, Syria, Netherlands and US were elected to the WFP Executive Board, as was El Salvador, which said it would rotate its seat with Guatemala and Nicaragua.

COMMENT

133. Delegates and senior Secretariat officials were generally satisfied with the Council and Conference. A number of difficult issues were resolved in an amicable way, without the rancor that marked the previous Conference, where the USG had to abstain in roll-call votes on the budget and a key treaty (ref I). USdel was successful in attaining key USG objectives. Important issues regarding hunger, sustainable agriculture and

international agricultural trade were aired and debated in a generally positive atmosphere, despite differences of opinion. The indispensable role that FAO plays or could play in these areas was underscored. We were able to get our message--on trade, sustainable agriculture, science and technology, FAO reform--to a very senior international audience. We reinforced our objective of promoting responsible, sustainable fisheries through the adoption of tough language on IUU fishing.

134. Vital FAO institutional and governance issues--term limits, budget, split assessments, geographic distribution--were successfully resolved by consensus. The re-institution of DG term limits sent a powerful signal of the desire for a change in leadership in 2005. The USG call for continued budgetary discipline was in the end accepted, in part because we were able to show some flexibility in covering exchange-rate losses and on the issue of split assessments. In the new methodology for geographical distribution of professional staff, we were able to join consensus for reforming an outdated system while keeping pressure on FAO to hire more Americans. The ability to get real-time, updated guidance from IO/S, OES/OMC and OES/ETC on fast-moving issues at the Conference greatly contributed to USdel's effectiveness.

135. The principled but flexible approach of the USG during the Conference and Council generated goodwill and

has paved the way for the US to exercise greater leadership in strengthening the focus and the effectiveness of FAO. In that regard, we see the expressions of interest from other key member states in our proposal for an independent evaluation of FAO as highly significant. Such an evaluation would facilitate the difficult but essential task of setting clear priorities for the organization for the coming decade.

HALL

NNNN

2003ROME05655 - Classification: UNCLASSIFIED